

July 17, 2017

Subject: Affordable Housing and Sustainable Communities (AHSC) Program

Reporting Period: April 2017-July 2017

Staff Lead: AHSC Program Staff

Recommended Action:

Adopt the 2016-17 Final Draft Affordable Housing and Sustainable Communities (AHSC) Program Guidelines (**Attachment 1**). With Strategic Growth Council (SGC) adoption of the Guidelines, staff will proceed with the solicitation of projects eligible under these Guidelines via a competitive process.

Summary:

This report provides background on the AHSC program and summarizes the proposed changes between the 2015-16 (Round Two) and the 2016-17 (Round Three) AHSC Program guidelines, including:

- Organization and streamlining of the guidelines document and major changes to the application process;
- Other changes to the guidelines related to eligible costs, eligible applicants, program threshold requirements, and scoring criteria; and
- Next steps in program roll-out.

The 2016-2017 Final Draft AHSC Program Guidelines incorporate feedback obtained through public comments and workshops held in April 2017 on the initial draft guidelines, which were released on March 8th, 2017. AHSC Program Staff conducted workshops regarding these draft guidelines on April 6th (Sacramento and via streaming video), April 7th (San Jose), and April 10th (Los Angeles). The workshops provided an overview of the proposed guideline changes and a Q&A session with program staff. SGC also accepted written and email comments on the draft guidelines until April 14, 2017. This feedback informed the release of the Final Draft Guidelines on June 5th, 2017. This report summarizes all changes since Round Two.

Background:

SB 862, Statutes of 2014 established the Affordable Housing and Sustainable Communities Program "to reduce greenhouse gas emissions through projects that implement land use, housing, transportation, and agricultural land preservation practices to support infill and compact development..." The AHSC Program is one of the California Climate Investments funded by Cap-and-Trade, and with 50 percent of the available funds set aside for projects benefitting Disadvantaged Communities, plays a critical role in the State's overall efforts to reduce greenhouse gas (GHG) emissions, strengthen the economy, and improve public health and the environment in communities across the state.

One of the primary goals of the program is to support and implement sustainable community strategies and efficient land use policies statewide. To this end, the AHSC program provides grants and loans for capital projects, including affordable housing development and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle miles travelled (VMT). Reduction of VMT in these project areas will achieve GHG emissions reductions and benefit Disadvantaged Communities. The Budget Act of 2014 appropriated \$130 million from the GGRF to develop and implement the AHSC Program for its first funding cycle, in 2014-2015. SB 862 apportioned 20 percent of GGRF annual proceeds to the AHSC Program beginning in 2015-2016. To date, the AHSC Program has awarded over \$440 million in grant funds for projects across the state.

Who is Eligible for AHSC Funds?

As in Round Two, the following entities are eligible to apply for AHSC Program funds, as a sole or joint applicant:

Local Governments (City, County, City/County)	Local Transportation Agencies	Public Housing Authority
Transit Agency or Operator	Regional Transportation Planning Agency	Congestion Management Agency
Joint Powers Authority	School District	Facilities District
University or Community College District	Developer: Public, Private, or Nonprofit	Program Operator: Public, Private, or Nonprofit

What does AHSC Fund?

AHSC supports the following types of capital projects that reduce passenger vehicle miles travelled and support transportation mode shifts:

- Affordable housing development in close proximity to transit
- Capital infrastructure projects, including:
 - Active transportation capital projects, including pedestrian, bicycle infrastructure, crosswalks, and other capital projects which increase connectivity to and from key destinations (housing, jobs, school, retail, services, etc) or to transit.
 - Infrastructure (water, sewer, roads, etc.) that directly serves affordable housing development in proximity to transit.
 - Infrastructure associated with affordable housing, active transportation, or transit capital projects that meet or exceed current requirements for energy efficiency, green building, water efficient uses, low impact development, or renewable energy.
 - Infrastructure associated with affordable housing, active transportation, or transit capital projects that include urban greening components (e.g. tree canopy along walkable and bikeable corridors, parks and open space adjacent to housing, etc)
 - Capital costs associated with increasing the capacity of a transit system. This includes increased fleet (e.g. vanpool, car share, shuttles), expansion of service (e.g. extension of service to underserved areas)

- Capital costs supporting improvement or addition of infrastructure to expand public transit access and increase connectivity between the transit stop or station and active transportation infrastructure.
- Programs supporting shifts in transportation mode, including:
 - Active transportation outreach (e.g. safety)
 - Transit ridership programs (e.g. transit passes, outreach programs)
 - Criteria air pollutant programs

Revisions to the 2016-2017 Program Guidelines:

AHSC Program Staff across the Strategic Growth Council (SGC), Department of Housing and Community Development (HCD), and Air Resources Board (ARB) released the 2016-2017 Final Draft AHSC Program Guidelines, as well as the 2016-2017 Final Draft AHSC GHG Quantification Methodology on June 5, 2017. The Final Draft Guidelines incorporate feedback obtained through public comments and workshops held in April 2017 on the initial draft guidelines, which were released on March 8th 2017. AHSC Program Staff proposes the following changes to the 2016-2017 Draft AHSC Guidelines:

Organization and Streamlining

- The Final Draft Guidelines reflect a restructuring of the guidelines document, including the reorganization and simplification of descriptive details. This is an effort to make the AHSC Program Guidelines easier to read and understand, avoid redundancy, and clearly articulate criteria and expectations. Through this process, the document has been shortened by over 20 pages.

Application Process

- The Concept Proposal portion of the application has been eliminated. In its place is a thorough checklist for applicants to verify threshold attainment and application competitiveness, as well as the opportunity to have an optional one-on-one consultation with AHSC Program Staff to determine eligibility and general observations regarding competitiveness. Applicants will be given sufficient warning of the opportunity to appeal some initial quantitative scores and thresholds before the second phase of application review.
- The narrative-based policy scoring section of the application will now be scored only for projects that obtain over 50 percent of the Quantitative and GHG Quantification Methodology points. In the interest of further simplification, the FAAST application will be streamlined to remove duplicative items. Combined with increased clarity in the guidelines document, AHSC Program Staff hope to remove the administrative burden that AHSC applicants previously felt in completing two lengthy applications.

In addition to the major changes described above, the Final Draft Guidelines include variety of other changes based on feedback from the public and Council. Below is an overview of all other changes since Round Two, organized as they appear in Article II of the Final Draft Guidelines:

Eligible Costs

- Costs Associated with Parking are Ineligible for AHSC Funds. As signaled in previous versions of the guidelines, costs associated with vehicle and motorcycle parking are no longer eligible to receive funds from AHSC. Note that this does not establish any parking requirements for AHSC projects, but simply prohibits the use of AHSC funds for constructing parking. Electric vehicle charging infrastructure is exempt from this requirement and remains eligible to be funded by AHSC.
- CalEEMod Project Setting and Net Density Alignment with Project Area Types. Changes have been made to both the Minimum Net Density and CalEEMod Project Setting definitions and determinations, in order to streamline, clarify, and simplify the AHSC process. We also believe that these changes will address concerns regarding the rigidity and inconsistency of these definitions, while continuing to strengthen our commitment to funding the strongest projects that align with AHSC goals. As part of this change and the resulting flexibility in density minimums, the Net Density Definition change to allow for more flexible density calculations is no longer needed and was reverted back to the original FY15-16 definition.

Eligible Applicants

- Indian Tribes as Eligible Applicants. Through a year-long internal and stakeholder process, we have amended the guidelines to include federally recognized Indian Tribes as eligible AHSC award recipients.
- Joint and Several Liability. Joint applicants of an AHSC project will still be required to be jointly and severally liable for the project. As an additional collaboration option, we have allowed applicants to demonstrate developer experience for Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRA) via executed contracts with a Locality or Transportation Agency. In addition, although collaboration is still highly encouraged, joint applications are no longer incentivized through scoring criteria.

Program Threshold Requirements

- Moving Select Scoring Criteria to Threshold. In the last round of AHSC, there were a number of project elements for which the majority of applicants received maximum points, meaning that those elements did not help differentiate applicants from one another. In order to address this issue, this iteration has set several project elements—such as urban greening components, and certain aspects of housing affordability—as required thresholds rather than scored criteria. All applicants will now be required to incorporate those elements into their project.
- New Thresholds Further Clarified. Several other new thresholds have been further clarified. Urban greening, adequate lighting, and free transit passes for residents are now required. In addition, all affordable housing developments must be certified as smoke free.



- Farmland Mapping and Monitoring Program (FMMP) Tool to Determine Agricultural Land. Due to delay between development and the update of the FMMP tool, potential inaccuracies may arise from the use of this tool for the determination of Agricultural Lands in the AHSC program. Thus, AHSC Staff has created exceptions aimed at identifying infill projects that may be identified as farmland by FMMP. Projects that are identified as farmland on FMMP, but meet the conditions of the exceptions outline in the guidelines, will be eligible to compete in AHSC and will still meet the threshold for preserving agricultural lands. The AHSC program is committed to encouraging strong infill projects that can clearly demonstrate that they will not jeopardize agricultural lands, but also that they are not fringe or sprawl development.
- Committed Funding Threshold Revised. Due to stakeholder feedback, as well as the competitive nature of the program, the Committed Funding Threshold equation used to determine the amount of Enforceable Funding Commitments a project brings forward will be revised to provide more applicant flexibility. Projects must now demonstrate a level of committed funding at time of application that is 0.90 or greater. Additionally, homeownership projects have been exempted from this criteria, since it is not only a difficult marker for homeownership projects to achieve, but also is not a strong indicator of project readiness for such projects.
- Environmental Clearance Requirements for Transportation Components. For Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRAs), applicants now only have to demonstrate environmental clearance for these components by the time of grant disbursement. This change better reflects timing differences between housing and transportation projects as they relate to environmental clearances.
- Affordability Threshold Updated. Based on stakeholder feedback to ensure the competitiveness of mixed-income projects, as well as address feasibility concerns a strict affordability threshold could cause, the Affordability Threshold has been revised to address Restricted Units only.
- Housing Element Compliance. AHSC projects will now have to demonstrate that their local jurisdiction has a Housing Element in compliance. Applicants and jurisdictions have until the date of AHSC award recommendations to attain compliance.
- CalEnviroScreen 3.0 and AB 1550 Incorporation. CalEnviroScreen 3.0 will be used in determining the third round of AHSC awards. Additionally, subsequent guidelines from the Air Resources Board on implementation of AB 1550 will also be incorporated in the third round of AHSC for reporting purposes. The Guidelines have been updated to reflect the new AB 1550 and CalEnviroScreen 3.0 standards; however, details on how to meet the criteria are still in draft form as part of the ARB Funding Guidelines updated process. Once the Funding Guidelines are finalized, AHSC will incorporate the detailed 1550 criteria as part of the upcoming NOFA cycle.



Scoring Criteria

- **Revised Scoring Criteria.** In an effort to provide clarity around AHSC application evaluation, we have divided the scoring criteria into three distinct sections:
 - **Greenhouse Gas (GHG) Reduction Scoring - 30 points:** Similar to last year, projects will be assessed both on their overall GHG reduction and the cost efficiency of those reductions. Details on quantifying GHG reduction are included in the Draft Guidelines in the GHG Quantification Methodology (QM).
 - **Quantitative Policy Scoring – 55 points:** This section includes a variety of AHSC policy objectives, framing these goals in more precise, quantified measures and requiring applicants to submit concrete evidence to receive relevant points. This change should provide applicants with a clearer understanding of what elements will garner points. Scoring for green buildings and renewable energy has been enhanced and clarified.
 - **Narrative-Based Policy Scoring – 15 points:** This section allows the applicant to demonstrate their unique approach to meeting critical AHSC program goals. Applicants will provide responses to three prompts related to collaboration & planning, community benefits & engagement, and community climate resiliency.
- **Incorporation of US EPA Walkability Index.** The Location Efficiency scoring section has been updated to include the US EPA Walkability Index instead of the WalkScore.com methodology as the metric to determine location efficiency. This change will offer more transparency regarding the specific metrics used in the criteria, and offer a fairer representation of walkability conditions across the state, as it relies on data that is fully available in all parts of the state.
- **Updates to Scoring Criteria based on Stakeholder Feedback.** Several updates have been made to various scoring criteria based on stakeholder feedback. The updates include additional points for Housing Affordability, Anti-Displacement Strategies, Programs, and Leverage, with a reduction of points for the Narrative Section. Additionally, the requirements for the Housing and Transportation Collaboration and Active Transportation criteria were relaxed, making it less challenging to receive full points. We believe these changes continue to be in line with program goals and priorities, and set a more realistic standard for what projects will be expected to achieve.

MPO Participation

Per Council direction, AHSC Program Staff will be holding conversations with MPOs to discuss options for additional MPO participation in AHSC. AHSC Program Staff will engage MPOs between the adoption of these guidelines and the release of the NOFA to determine the role they will play in the 2016-2017 AHSC program application evaluation and review.

AHSC Round Three Estimated Timeline

✓	Revised Draft 2016-17 AHSC Program Guidelines Released	March 8th
✓	Draft Guidelines Workshops	April 2017
✓	Final Draft 2016-17 AHSC Program Guidelines Released	June 5, 2017
	Final 2016-17 AHSC Program Guidelines Adopted	July 17, 2017
	NOFA and Full Application Released	October 2, 2017
	NOFA Workshops	October 2017
	Applications Due	January 15, 2018
	Award Recommendations Released	May 2018
	Awards Announced	June 2018

Incorporation of AB 1550

AB 1550 created new investment requirements for Low-Income Communities and Low-Income Households. ARB plans to adopt updated Cap-and-Trade Auction Proceeds: Funding Guidelines for Agencies that Administer California Climate Investments (Funding Guidelines) that will provide criteria to evaluate whether or not a project provides a benefit to a Disadvantaged Community, Low-Income Community, or Low-Income Household. These criteria will be included in the NOFA once the updated Cap-and Trade Auction Proceeds Funding Guidelines are released by ARB.

HCD Infill Infrastructure Program

Additionally, HCD's Infill Infrastructure Program (IIG) will also have a concurrent NOFA release. AHSC applicants may apply to either program for their Housing-Related Infrastructure (HRI) components. Additional details regarding the HCD IIG program NOFA will be available in the coming weeks.

Recommended Action:

Adoption of the Final Draft 2016-2017 AHSC Program Guidelines will allow staff to proceed with the solicitation of projects eligible under the Guidelines via a competitive process. The release of a 2016-2017 AHSC NOFA and application are expected to occur on October 2nd, 2017. Staff anticipates approximately \$155 million to be available for this funding round.